

FOREIGN POLICY REPORTS

September 1, 1937

The New Deal in France

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PUBLISHED TWICE A MONTH BY THE

Foreign Policy Association, Incorporated

EIGHT WEST FORTIETH STREET, NEW YORK, N. Y.

VOLUME XIII NUMBER 12 25¢ a copy \$5.00 a year

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with the aid of the Research Staff of the Foreign Policy Association

FOR more than a year the Popular Front has governed France. Formed originally in July 1935 to combat fascism, this coalition of political groups extending from the Communists to the bourgeois Radical Socialists has shown a cohesion which has astounded most observers. Since the beginning of June 1936 it has been continuously in power, at first under a Socialist Premier, Léon Blum, and more recently under the Radical Socialist leadership of Camille Chautemps. Its tenure of office is particularly interesting as an attempt to reconcile capitalism and democracy with dynamic social reforms. Within a relatively brief period the Popular Front has enacted a program of economic and social legislation unparalleled in the history of modern France. At the same time this French New Deal has created considerable political, economic and financial tension which has threatened the success of the whole experiment:

The elections of April 26 and May 3, 1936 marked a sweeping victory for the Popular Front. In large part this triumph expressed discontent with the conservative "National Union" governments which had ruled France since February 1934, when the Stavisky affair temporarily discredited the Left.¹ The half-hearted deflationary policies of these cabinets² had apparently worsened, rather than alleviated, the economic crisis from which the country was suffering. Sacrifices had been exacted from taxpayers, office-holders and rentiers, but evidently to no avail. Resentment mounted particularly against the financial and economic oligarchy which was believed to be dictating the policies of the government. This oligarchy, designated in the parlance of the Left as "the 200 families," was typified by the 200 largest stockholders who controlled the Bank of France. The Popular Front not only regarded the "200 families" as the great obstacle to social progress, but accused them of wishing to destroy democracy

by supporting such semi-Fascist organizations as the *Croix de Feu*.

The campaign of the Left was based on a positive program to which all the groups in the Popular Front had subscribed in January 1936. In the political field this platform promised vigorous defense of democracy, purification of the press, and collective bargaining for labor. In the economic realm the program was generally "inflationary." To workers it held out a reduced working week, old-age pensions, unemployment insurance and public works; to the peasants, revalorization of agricultural prices, establishment of a Wheat Office, strengthening of cooperatives and readjustment of debts. Strict national control of the Bank of France and nationalization of the war industries were promised in order to curb the influence of financial interests and the *marchands de canons* (cannon-merchants). In the financial field the program envisaged a "democratic reform of the tax system," repression of tax evasion, and the control of capital exports.³

In the elections the Popular Front polled a vote of 5,628,921—a gain of 434,248 over the total secured by the Left in 1932. The Opposition, including the groups of the Right and Centre, received 4,202,298 votes—a decline of 178,419.⁴ As was generally expected, the moderates lost heavily to the more extreme parties. The Right actually increased its vote at the expense of the Centre. The Radical Socialists, the most conservative party in the Popular Front, saw their representation in the Chamber of Deputies drop from 157 to 109. Even the Socialists suffered a slight decline in the popular vote, although they increased their delegation in the Chamber by 20 members. The chief beneficiaries of the Popular Front were the Communists, who nearly doubled their vote and elected 72 dep-

1. Cf. John C. deWilde, "Political Ferment in France," *Foreign Policy Reports*, July 18, 1934.

2. John C. deWilde, "Political Conflict in France," *Foreign Policy Reports*, April 1, 1936.

3. For the text of the Popular Front program, cf. Alexander Werth, *Which Way France?* (New York, Harpers, 1937), pp. 233-37.

4. For a compilation and analysis of the official election returns, cf. Georges Lachapelle, *Elections Législatives* (Paris, *Le Temps*, 1936).

FOREIGN POLICY REPORTS, VOLUME XIII, NUMBER 12, SEPTEMBER 1, 1937

Published twice a month by the FOREIGN POLICY ASSOCIATION, Incorporated, 8 West 40th Street, New York, N. Y., U.S.A. RAYMOND LESLIE BUELL, *President*; WILLIAM T. STONE, *Vice President and Washington representative*; VERA MICHELES DEAN, *Editor*; HELEN TERRY, *Assistant Editor*. *Research Associates*: T. A. BISSON, VERA MICHELES DEAN, JAMES FREDERICK GREEN, HELEN H. MOORHEAD, DAVID H. POPPER, ONA K. D. RINGWOOD, CHARLES A. THOMSON, JOHN C. DEWILDE. Subscription Rates: \$5.00 a year; to F.P.A. members \$3.00; single copies 25 cents. Entered as second-class matter on March 31, 1931 at the post office at New York, N. Y., under the Act of March 3, 1879.

uties as against only 12 in 1932. Hitherto this party had played a lone hand, espousing an openly revolutionary program and scorning electoral alliances with the Socialists or Radicals. With the change in Soviet foreign policy and in the tactics of the Third International which followed Hitler's rise to power, the French Communists altered their course rather abruptly. In order to combat fascism at home and abroad they helped to form the Popular Front, and in their studied efforts to cultivate nationalism and win over the middle classes they soon began to appear more conservative than the Socialists. In this way they not only garnered many moderate votes, but on the second ballot secured the support of other Left groups for those of their candidates who had secured a plurality in the first voting.⁵

As a result of the elections, the Socialists displaced the Radical Socialists as the largest party in the Chamber of Deputies. It was incumbent on them to form a government. Although previously the Socialists had consistently refused to participate in any ministerial coalition with bourgeois parties, they could no longer decline after the formation and victory of the Popular Front.

The Socialist leader, Léon Blum, had little difficulty in obtaining the collaboration of the Radical Socialists and minor parties on the Left. The Confederation of Labor, however, rejected a bid to enter the government; and the Communists, while pledging support, were reluctant to hamper their freedom of action and criticism. The government, as finally constituted on June 4, included 21 ministers—12 Socialists and 9 Radical Socialists; and 14 under-secretaries, of whom 2 represented the small Union Socialist party and the remainder were equally divided among the two major political groups. The ministers were grouped in seven main departments: the presidency of the council, headed by Premier Blum; national defense, directed by War Minister Edouard Daladier; general administration, headed by Roger Salengro, Minister of Interior; foreign relations and overseas, by Foreign Minister Yvon Delbos; finance and debt, by Finance Minister Vincent Auriol; national economy, by Charles Spinasse; and social solidarity, led by Jean-Baptiste Lebas, Minister of Labor.

DIFFICULTIES FACED BY POPULAR FRONT

The Popular Front government faced an unenviable task. At home, business was at low ebb while other countries had already made substan-

tial progress on the road to recovery. Labor was smarting under reduced wages and unemployment; and just before the Popular Front took power a formidable wave of strikes swept the country. The budget showed a large deficit, and the government was burdened by a crushing national debt accumulated chiefly from expenditures for past and future wars. Abroad, the picture looked scarcely more encouraging. The Italian army had entered Addis Ababa, and the League of Nations, to which the French Left had always attached great value, was rocking on its foundations. The Germans had marched into the Rhineland with impunity, and uncertainty concerning their further intentions was causing the French much anxiety.

Would the new government be able to meet this situation? Even its supporters had qualms. For one thing, the man at the helm and many of his colleagues were untried and inexperienced. Although possessed of great talent and even brilliance, Léon Blum was suspected by many of being a dilettante. Born in 1872 as the son of a wealthy Jewish ribbon manufacturer, he had enjoyed a varied career.⁶ Literary and dramatic critic, civil servant, journalist and politician—these had been among his occupations. Although sympathetic to the Socialists from his early youth, he had not entered Parliament until 1919. In the Chamber and as political director of the Socialist daily, *Le Populaire*, he had rapidly acquired a reputation as a trenchant polemicist. Yet many doubted that he possessed the requisite qualities of constructive statesmanship.

While the Popular Front possessed a sizable majority in the Chamber,⁷ Blum realized very well

6. Richard L. Stokes, *Léon Blum, Poet to Premier* (New York, Coward-McCann, 1937).

7. The political constitution of the Chamber in June 1936 was as follows:

<i>Groups of the Right</i>	<i>Membership*</i>	
Independent Republicans and Agrarians	40	128
Republican Independents	13	
Republican Federation	59	
Independent group for Popular Action	16	
<i>Groups of the Center</i>		224
Republican Left and Independent Radicals	44	
Popular Democrats	13	
Democratic Left	39	
<i>Groups of the Left or Popular Front</i>		
Independent Left (minor parties)	28	389
Radical Socialists	111	
Socialist and Republican Union	29	
Socialists	149	
Communists	72	
Unaffiliated		5

*Including also those members merely affiliated with a group. It should be noted that the groups in the Chamber do not always conform to parties which, with the exception of the major ones on the Left, are little more than loose aggregations formed for electoral purposes.

5. For the first time, therefore, the Communists obtained a parliamentary delegation more nearly proportionate to their popular vote. In 1932 it required an average of 66,386 votes to elect a Communist deputy; in 1936 only 20,867.

that this majority consisted of heterogeneous elements. The Radical Socialists were inherently conservative, although their allegiance to democracy and their resentment of Rightist attacks following the Stavisky scandal had led them into the Popular Front. They represented primarily the peasants and the lower middle classes who distrusted the "vested interests," but at the same time disliked regimentation and were exceedingly jealous of their property rights. While the Radical Socialists in the Chamber were rather progressive, those in the Senate, whose members were indirectly elected and belonged to the older generation, had never been enthusiastic about the Popular Front. These Radical Socialists, who controlled a majority in the Senate, were to place many obstacles in the path of Blum's government. At the other extreme were the Communists. Not sharing in the responsibility of power, they felt free to criticize the government. In contrast to their pre-election conservatism, the Communists periodically thought it necessary to reaffirm their "militancy," if only to prevent the formation and growth of dissident groups further to the Left. They constantly strove to drive the Popular Front into a more radical course, both in domestic and foreign affairs. A somewhat similar attitude was taken outside Parliament by the Confederation of Labor, on whose support the government depended to preserve its popularity among the laboring masses.

SETTLING THE SIT-DOWN STRIKES

The most urgent problem confronting the new government was that created by the wave of strikes which began in the Paris area toward the end of May 1936 and spread like wild fire to the provinces. By June 3 there were 300,000 strikers in and about Paris alone;⁸ and during the entire month 12,142 strikes, involving 1,830,938 workers, were recorded in France.⁹ In most cases the personnel occupied factories, shops, and even farms, and refused to budge until their terms had been granted.

Conservatives were quick to ascribe the strikes to Communist inspiration. In reality, the outbreak appears to have been largely spontaneous. Even the labor unions apparently had little to do with it, for the Confederation of Labor at this time counted only slightly more than a million members, of whom a large proportion were government employees.¹⁰ Labor had suffered severely from prolonged economic deflation and had expected the

Popular Front to ameliorate their condition immediately. The relatively long interregnum between the elections and the formation of the government, together with statements issued by Blum to reassure capital, increased the restlessness of the working class and created the fear that the Popular Front might after all betray them. The strikes were thus designed primarily as a method of self-help and as a spur to the government.

While admitting in Parliament the illegality of the sit-down strike,¹¹ Blum declined to evacuate the workers by force. After prolonged negotiations he prevailed on the General Confederation of Labor (CGT) and the *Confédération Générale de la Production Française*, an employers' organization, to sign on June 7 the so-called Matignon agreement to end the strikes.¹² The employers agreed to immediate conclusion of collective labor contracts, to accord workers complete freedom of organization and on no account to discriminate against members of labor unions or those participating in any strike. In addition, they undertook to raise wages from 7 to 15 per cent, but no more than 12 per cent on the average, and to give employees in establishments with more than 10 workers the right to elect shop committees for the settlement of other grievances. In turn, the workers' delegates agreed to ask the strikers to resume work as soon as the management of each enterprise had accepted the general accord and negotiations regarding its application had been begun.

The enforcement of the Matignon accord proved difficult, especially since neither the employers' group nor the CGT were completely representative. The strikes did give a fillip to union organization, so that by the end of August 1936 the CGT could boast of 5,000,000 members. This rapid accession of strength, however, somewhat embarrassed the responsible leaders who found many of the new members undisciplined, extremely radical and disposed to defy orders from above. For a time new strikes continued to break out, although at a slower pace. On June 26 the Minister of Interior could announce in the Chamber that the number of strikers had shrunk to 180,000. This figure continued to diminish during July and August, but strikes never entirely ceased to plague the Blum government, harassed on the one side by labor and on the other by conservative Radical Socialists who wanted property rights respected.

10. The Communist and Socialist trade unions were re-united at a congress held at Toulouse in March 1936. Cf. Léon Jouhaux, *La C.G.T., ce qu'elle est, ce qu'elle veut* (Paris, Gallimard, 1937), p. 87.

11. Cf. *Le Temps*, June 8, 1936.

12. For text of the agreement, cf. *ibid.*, June 9, 1936.

8. Werth, *Which Way France?* cited, pp. 299-301.

9. *Bulletin du Ministère de Travail*, July-August-September 1936.

The autumn, particularly, was marked by a recrudescence of the strike movement. At that time a rise in the cost of living was becoming perceptible, and workers in many instances demanded another increase in wages or the incorporation in labor contracts of a sliding wage-scale adjusted to the cost of living. Complaints alleging failure of employers to abide by agreements also caused frequent conflicts.

The government had no effective instrument of settling labor disputes until Parliament passed a law, promulgated on December 31,¹³ providing for conciliation and arbitration. This law stipulated that labor disputes must be submitted to conciliation and arbitration before any strike or lock-out. The procedure for settling labor conflicts was to be elaborated by decrees in accordance with certain general principles laid down in the law, but such decrees were to have no validity beyond the ordinary 1937 session of Parliament—a limit later extended to the end of the year.¹⁴ Arbitral decisions were to be obligatory and without appeal. While strikes or lock-outs were apparently made illegal except as a means of enforcing an arbitral decision not accepted by one party,¹⁵ neither the law nor the supplementary decree provided punishment for violations. Strikes therefore continued, and arbitral decisions were not invariably observed. By the end of the winter of 1936-1937, however, nearly all labor conflicts had subsided.

LABOR LEGISLATION OF THE POPULAR FRONT

During the first few months of its administration the Blum cabinet kept Parliament busy enacting laws ameliorating conditions of labor. An act of June 20 gave workers and employees in industry, commerce and the liberal professions a minimum annual paid vacation of fifteen days after one year's continuous employment in any enterprise.¹⁶ For the first time, thousands of workers enjoyed an extended holiday in the summer of 1936.

More leisure for employees was provided by the 40-hour week statute which became law on June 21.¹⁷ The government was directed to introduce the 40-hour week in all industrial and commercial establishments, either on its own initiative or at

the request of workers' or employers' organizations. It was stipulated that there should be no decline in weekly pay or in the standard of living. At the beginning, care was taken not to introduce a blanket 40-hour week too rapidly; the first decree, applicable to coal mining, was not signed until September 25, 1936. Thereafter the pace greatly accelerated, so that by June 1937 about sixty decrees had been promulgated.¹⁸ According to statistics of the factory and mine inspection service covering employment in concerns with a hundred workers or more, the 40-hour week had been applied to 94 per cent of the workers¹⁹ at the beginning of May 1937. Application of the law did not prove such a stimulus to employment as the government had hoped. Owing to the difficulty of controlling enforcement and to the pressure of labor unions, the decrees generally provided for a five-day week in most industries, and in retail trade, banking and insurance. In Paris the application of this stipulation to shops aroused such protest that an exception was made for the duration of the 1937 Exposition. Many plants and offices, however, were compelled to close two days a week, thus curtailing the volume of possible re-employment, and in some instances even reducing production.²⁰ During the year ending in May 1937 enterprises employing a hundred persons or over, to which the 40-hour week had been applied, showed an increase of only 125,645, or 6.4 per cent in the number of workers.²¹ Probably not even all of this increase was due to the shorter working week.

Paid vacations and the 40-hour week created a serious problem of leisure, especially since increased consumption of alcohol followed immediately in the wake of these innovations.²² The government tackled this problem with considerable success. A special under-secretariat for sports and leisure was created in the Ministry of Public Health and capably directed by Léo Lagrange. "Lagrange railway tickets" were made available at 40 per cent reduction to workers on holiday travel.²³ Special excursions were made even cheaper, and a certain number of Mediterranean cruises were also organized. Youth hostels were encour-

18. For a list of decrees until the end of May, cf. *Le Populaire*, June 4, 1937.

19. That is, to 2,094,860 out of the 2,228,262 employed in these concerns. Cf. *Le Temps*, June 28, 1937.

20. Cf. "Die 40-Stunden Woche in Frankreich," *Frankfurter Zeitung*; also Jean Luchaire, "Disons la vérité sur les 40 heures," *Vu*, April 21, 1937.

21. *Le Temps*, June 28, 1937.

22. Particularly as an effect of the 40-hour week. Cf. Luchaire, "Disons la vérité sur les 40 heures," cited.

23. 360,222 such tickets for a total of 549,250 travelers were issued in 1936. Cf. *Le Populaire*, June 4, 1937.

13. *Journal Officiel*, January 1, 1937.

14. For the decree-in-Council of January 16, 1937, which set up complicated machinery for conciliation and arbitration, cf. *ibid.*, January 17, 1937.

15. For a controversy on this point, cf. "Le droit de grève," *Le Temps*, January 7, 1937, and René Belin, "Le droit de grève n'est pas entamé par l'arbitrage obligatoire," *Syndicats*, December 18, 1936.

16. *Journal Officiel*, June 26, 1936.

17. *Ibid.*

aged, sport facilities created, and the democratization of winter sports was initiated.

To implement the Matignon accord, a law of June 24, 1936²⁴ outlined the procedure for the conclusion of collective labor agreements. At the request of any labor union or employers' association the Minister of Labor was directed to bring about a meeting of a mixed commission to negotiate an agreement for any branch of industry or commerce in any region or for the whole country. In the event of disagreement the Minister of Labor was empowered to mediate. The law required that all collective labor contracts provide for (1) freedom of organization and speech for workers, (2) election of shop councils in concerns employing more than ten persons, (3) minimum wages by categories of workers and by regions, (4) dismissal notice, (5) regulation of apprenticeship, (6) procedure for settling disputes concerning application of the agreement, and (7) means of revising the contract. The Minister of Labor was authorized to make collective accords of this type obligatory for all employers and employees in the branch of industry or commerce and in the region or regions included within the contract's field of application. This law and the 1936 strike-wave gave an extraordinary impulse to the conclusion of collective agreements. Between mid-June and mid-December 1936, the texts of 2336 such contracts were communicated to the Ministry of Labor.²⁵

Higher wages, paid holidays, the 40-hour week and collective labor agreements imposed a considerable burden on many enterprises. The smaller industrialists and merchants were particularly hard hit, for they were financially unable to rationalize their establishments in order to meet part of the cost. The government provided partial relief through more liberal extension of credit.²⁶ A limited debt moratorium was also accorded to merchants, industrialists and artisans who did not have to pay a general income tax in 1935 or were

not subject to profit taxes during that year.²⁷ For the most part, however, business men were left to bear or shift the cost to the best of their ability. Many medium-sized enterprises organized themselves into cartels; and a large number of small entrepreneurs simply discharged the few workers they employed and returned to the old artisan system of hiring apprentices.

In order to reduce unemployment Parliament not only passed the 40-hour week law, but extended the school-leaving age from 13 to 14²⁸ and gave its sanction to an extensive program of public works. The latter program, approved by law of August 18, 1936,²⁹ contemplated an expenditure of 20 billion francs over a three-year period, in addition to previously adopted projects such as the Marquet Plan of 1934. The money was to be raised by loans.³⁰

AGRICULTURE—ESTABLISHMENT OF A WHEAT OFFICE

Since France is still agricultural to a large extent³¹ the Popular Front government did not neglect the peasants. One of its major legislative enactments was that establishing a National Wheat Office designed to curb speculation and undue profits of middlemen,³² as well as to insure farmers a remunerative price.³³ Complete control over the marketing of, and foreign trade in, wheat was vested in a central council of 51 members, 29 representing the wheat growers, 9 the consumers, 9 the millers, bakers and grain trade, and 4 the Ministries of Agriculture, Finance, National Economy and the Interior. Similarly constituted committees in each *département* were set up to advise the council, allot wheat sales among the millers and facilitate the formation of cooperatives. Farm-

24. *Journal Officiel*, June 26, 1937.

25. *Bulletin du Ministère du Travail*, October-November-December 1936, p. 505. In order to prevent another strike-wave during the summer and fall of 1937, a law of July 18, 1937 (*Journal Officiel*, July 20, 1937) extended for six months all collective labor contracts expiring between June 1 and November 25, 1937. Those concluded after June 7, 1936 and terminating before June 1, 1937 were prolonged for a similar period unless renewed by the signatories themselves.

26. Under a law of August 19, 1936 (*Journal Officiel*, August 20, 1936), concerns for which this social legislation created financial difficulties were permitted to get from the Bank of France nine-month advances not exceeding the actual financial burden imposed by the above-mentioned laws during the second half of 1936, nor, at any rate, 12 per cent of the total wages paid during the year ending June 30, 1937. By the summer of 1936 about 1,275 million francs had been borrowed in this way (cf. *Le Populaire*, June 4, 1937).

27. *Le Populaire*, August 23, 1936.

28. Law of August 9, 1936, *Journal Officiel*, August 13, 1936.

29. *Ibid.*, August 20, 1936.

30. For Blum's explanation before the Public Works Committee of the Chamber of Deputies, cf. *Le Temps*, July 23, 1936.

31. The value of the production of leading agricultural commodities and industrial products compares as follows:

Milk	10,000,000 francs	Metallurgy	8,000,000 francs
Wheat	9,000,000 "	Electricity	4,500,000 "
Meat	9,000,000 "	Coal	4,000,000 "
Wine	7,000,000 "	Motors	4,000,000 "

Cf. Georges Monnet, "The Place of Agriculture in the Economic Policy of the French Government," *International Affairs*, May-June 1937.

32. A growing tendency toward concentrating the grain trade and flour milling in relatively few hands had become evident for some time. Although there were still 7500 mills in France, the 200 largest of these exercised a dominating and controlling influence. *Ibid.*

33. Law of August 15, 1936, *Journal Officiel*, August 18, 1936.

ers were obliged to declare the area sown in the spring and the amount harvested in the fall. The central council was directed to estimate the national production in June of each year. In August the council, by a three-fourths vote, was to fix the price of wheat for the crop year³⁴ at a level giving the commodity approximately the same purchasing power as in the period 1911-1913.³⁵ The determination of flour and bread prices, however, was left in the hands of the local prefects and mayors. The wheat price was applicable only for quantities sold within market quotas which were to be determined for each farmer selling over 50 quintals on the basis of "normal production." Any amount produced in excess of the quota could be sold only to cooperatives or, through their agency, to the Wheat Office, and at a differential price fixed by the council. In case of a harvest in excess of domestic consumption the council was empowered to determine the quantities to be stored or exported. Similarly in the event of a deficit, the council was to fix the amount of bread grain and flour to be imported. While the law directed the council to scale the domestic sale of wheat, provision was made whereby those farmers belonging to cooperatives could obtain immediate payment for their crop.

For the first year the operation of the Wheat Office was greatly facilitated by the relatively poor harvest of 1936 which left no surplus. On August 28 the council fixed the price beginning September at 140 francs per quintal, with subsequent small monthly increases to cover carrying charges.³⁶ Although considerably higher than that prevailing during the previous year, this price was not excessive considering the circumstances. The short crop, together with the devaluation of the franc at the end of September, probably would have raised the price well above 140 francs in the absence of official control. Some protagonists of the law have hailed this as evidence that price regulation could function in the interests of consumers as well as producers.³⁷

34. Millers, dealers and all others holding wheat or flour, with the exception of cooperatives and producers, were required to declare their stocks on the day the price was fixed and to pay to the Wheat Office the difference between the price prevailing on August 1 and that set by the council for the following crop year.

35. The analogy between this and the so-called "parity prices" of the American Agricultural Adjustment Act will be noticed.

36. *Le Populaire*, August 29, 1936.

37. It should be noted that the wheat legislation had apparently little effect on the so-called processors' margin. From August 1936 to May 1937 the price of wheat rose 29.3 per cent, while retail bread prices in Paris increased about 27 per cent.

REFORM OF THE BANK OF FRANCE

In addition to the laws ameliorating the condition of labor and agriculture, Parliament enacted certain reforms at the instance of the Popular Front cabinet. One of the most important of these was the law of July 24, 1936 which took the Bank of France from the hands of the "financial and industrial oligarchy" and subordinated it more effectively to the will of the central government.³⁸ The Bank had long been anathema to the Left. Ever since Napoleon founded this Central Bank in 1800, it had been under the control of private interests. Only the 200 largest stockholders had the right to elect the Board of Regents. In fact, direction of the Bank had become a semi-hereditary prerogative of some fifty leading families.³⁹ As against the fifteen seats under private control, the government held only three—those of the Governor and the two Vice-Governors,⁴⁰ who were named directly by the President of the Republic. According to the Left, the Governor often fell under the influence of the Board of Regents. The latter could put him under obligation by providing the 100 shares of the Bank (normally worth over a million francs) required to qualify him for office, or by enabling a retiring Governor to procure lucrative posts in industry or banking.⁴¹

The Bank exercised great influence over the economic and financial life of France. Through its own banking facilities and the ability to rediscount paper offered by other banks, it largely controlled the credit machinery of the country. More important, whenever the government was financially embarrassed, the Bank could at times influence the state's economic policies by its power to grant or withhold direct or indirect advances to the Treasury. Leftist governments had felt the Bank's power after the elections of 1924 and 1932. Even governments of the Centre had not been immune. In 1935 Flandin was compelled to return to deflation under pressure from the Bank;⁴² and subsequently the Bank apparently thwarted François Piétri's attempt to form a government.⁴³

Under the new law enacted by Parliament, direction of the Bank was entrusted to a General Council consisting of the Governor, two Vice-Governors, three auditors and twenty other mem-

38. For the text, cf. *Journal Officiel*, July 25, 1936.

39. Pierre Frédéric, *Etat des Forces en France* (Paris, Gallimard, 1936), p. 104.

40. In addition, there were three auditors with an advisory voice selected from the civil service.

41. Cf. Werth, *Which Way France?* cited, p. 342.

42. *Ibid.*, pp. 343-44.

43. Cf. deWilde, "Political Conflict in France," cited.

bers selected for three-year terms. Only two members of this council and the three auditors could be selected by all the stockholders—not merely the 200 largest—each having but one vote irrespective of the size of his holding. The National Economic Council, the personnel of the Bank, and the Superior Commission of Savings Banks were each allowed to name one member. Six were to be appointed by the Minister of Finance from lists of candidates drawn up by, and representing, respectively, groups of consumers, artisans, industry, labor, agriculture and commerce. Three were to represent directly the Ministers of Finance, National Economy and Colonies. In addition provision was made for six ex-officio members.⁴⁴ The government was thus given more effective control of the Bank, especially since it continued to name the Governor and Vice-Governors. In order to make the governors completely independent of the financial interests, they were no longer required to hold stock, and were forbidden to accept private employment for three years after ceasing to hold office in return for full payment of their salaries during this period.

NATIONALIZATION OF ARMS FACTORIES

Nationalization of arms manufacture dealt the "oligarchy" another blow. This step was taken, however, not only to curb the alleged malevolent influence of "war profiteers," but also to secure improved coordination of arms production and pave the way for possible international action to control and reduce armaments. A law of August 11, 1936⁴⁵ permitted the government, until March 31, 1937, to nationalize in whole or in part only those concerns manufacturing or trading in weapons actually used in fighting, such as war planes, tanks, warships, gas masks, guns, rifles and ammunition. Those not nationalized were made subject to sweeping state control.

In applying this law the government faced the problem at what stage the manufacture of war implements would have to be nationalized. A thoroughgoing nationalization program completely eliminating the private "vested interest" in war and armament would really have entailed expropriation of the basic industries—iron and steel, and chemical. The government was not prepared to go so far. War Minister Daladier indicated in

the Chamber on July 16, 1936 that he would nationalize only "enterprises which demand specialized equipment and installations."⁴⁶ In other words, expropriation would be confined to those plants or parts of factories actually manufacturing specialized war material in its last stages. In accordance with this program, about a dozen factories were expropriated by the Ministers of War and Navy and converted into state enterprises managed directly by state engineers.⁴⁷ Government bonds were given in compensation.⁴⁸

Aviation companies working for the Ministry of Air have not been nationalized outright because it was thought better to leave some scope for individual initiative in an industry still in full evolution. For aviation a "mixed régime" was created. The state took over two-thirds of the capital of airplane factories—a measure which proved a boon to most stockholders since many companies were in a precarious financial condition. To coordinate production and administer these capital interests, six aeronautical construction companies were organized, each including all plants within a given geographic region. The government also controlled these companies.⁴⁹

THE FIGHT AGAINST FASCISM

One of the primary aims of the Popular Front was to combat the various Fascist and semi-Fascist organizations in France. In October 1935 the Laval government had been compelled to accept a law authorizing the dissolution of "all associations having the character of groups of combat or private militias" and prohibiting the carrying of arms.⁵⁰ No action had been taken under this law, however, except for the dissolution of all Royalist organizations in February 1936 after one of their members had assaulted Léon Blum on the street. Soon after taking power—on June 18—the Blum government promulgated decrees dissolving the leading semi-Fascist group, Colonel de La Rocque's *Croix de Feu*, and minor organizations, including the *Francistes*, the *Jeunesses Patriotes* and the *Soli-*

46. *Ibid.*, July 17, p. 1945.

47. For a list of the plants expropriated, cf. *Le Populaire*, June 4, 1937.

48. The law specified that compensation was to be calculated according to the value of the establishment on the date of expropriation and should consider only the loss resulting from eviction. The amount was to be fixed by arbitration or court decision.

49. Cf. *Le Populaire*, June 4, 1937; André Mouillot, Paul Coroze and Emmanuel Morand, "La nationalisation des usines de guerre," *Société d'Etudes et d'Informations Economiques, Supplément au Bulletin Quotidien*, February 1937; also Werth, *Which Way France?* cited, pp. 347-51.

50. DeWilde, "Political Conflict in France," cited.

44. The president of the financial section of the *Conseil d'Etat*, the general director of the *Caisse des Dépôts et Consignations*, the director of the general movement of funds at the Treasury, the governor of the *Crédit Foncier*, and the general directors of the *Crédit National* and the *Caisse Nationale de Crédit Agricole*.

45. *Journal Officiel*, August 12, 1936.

darité Française. The *Croix de Feu*, however, almost immediately reconstituted itself as a political party called the *Parti Social Français*. Under pressure from the Communists the government decided, on October 2, to take action against de La Rocque for "illegally reconstituting a political league which had been dissolved." Even though this action has never been carried to conclusion, it is doubtful that the French Social party can be considered a threat to the régime. While it claims 2,000,000 members, the party has lost most of its initial militancy under the rather weak leadership of de La Rocque. The latter has been further discredited by his virtual admission of charges that Tardieu and Laval subsidized him out of secret government funds during the early years of his movement.⁵¹

More dangerous for the government has been the Fascist *Parti Populaire Français* founded in June 1936 by Jacques Doriot, a former Communist leader and the mayor of the Paris working-class suburb of Saint-Denis. This party was chiefly characterized by rabid opposition to the Communists, whom Doriot attacked as the servants of Moscow and the party of civil war. It bitterly opposed the Franco-Soviet pact which, Doriot claimed, would be utilized by the Soviet Union to embroil France in an ideological crusade against Germany and Italy. To make France really secure the French Popular party advocated an agreement with Germany and a *rapprochement* with Italy. Its domestic program was much less specific. It recommended intensive development of French overseas territories and the erection of the French Empire into a more or less self-sufficient unit. Closer regulation of production and control of profits were also listed among its demands. The party, however, did not appear to envisage a completely totalitarian state.⁵²

At first this party made rapid progress. In Doriot it possessed a vigorous and colorful leader who managed to attract to his banners the more militant members of the *Croix de Feu*. Doriot failed to arouse much support among the people at large, however, many of whom doubted his integrity and honesty of purpose. The Right, although content to exploit him for a time, soon grew less enthusiastic. Pressed by the Communists, the Minister of Interior on May 26, 1937 dismissed Doriot from office as Mayor, on minor charges of malfeasance. Resigning from the Municipal Council, Doriot

sought vindication in a special election but was defeated by the forces of the Popular Front.⁵³

The waning of the "Fascist menace" probably contributed to failure of the attempts to create a single, united proletarian party. Although negotiations to this end had been initiated as early as April 1935,⁵⁴ they did not progress even after the Popular Front had come to power. In fact the frank criticism of the government, in which the Communists often indulged, periodically strained relations between the Communist and Socialist parties.⁵⁵ The Communists also alienated Socialist sympathy by the apparent instability of their policy which at one time demanded more radical economic measures and intervention in Spain, and at another advocated a broadening of the Popular Front toward the Centre and Right which would have made these very measures impossible. Since there was much evidence that the Communists were making strides at the expense of the Socialists in the unified Confederation of Labor,⁵⁶ many Socialist leaders feared that the Communists, once admitted to the Socialist party, would successfully bore from within. The continued growth of the Communist party membership served to enhance that fear.⁵⁷ To be sure, these qualms were not shared by a minority of the leaders led by Jean Zyromski, nor by the rank and file of the membership. In one respect, a slight advance toward unity was registered on February 14, 1937 when the National Council of the Socialist party admitted into its ranks the dissident Communist group in Parliament.⁵⁸

A CONSERVATIVE FOREIGN POLICY

In foreign policy the Blum government and its successor have steered a cautious course even at the risk of antagonizing the Communists and left-wing Socialists who demanded more aggressive

53. Doriot polled 6507 votes as against 10,618 for the leading candidate on the Popular Front list. *Le Populaire*, June 22, 1937.

54. DeWilde, "Political Conflict in France," cited.

55. Perhaps the sharpest attack was delivered on October 30, 1936 when the Communist leader Maurice Thorez assailed the "failures, concessions and complicity of the government in the face of fascism at home and abroad." Cf. *Le Temps*, November 1, 1936.

56. Cf. the recent charges of René Belin, Assistant Secretary-General of the C.G.T. *The Times* (London), July 30, 1937.

57. In the Communist organ, *L'Humanité*, of April 1, 1937, Jacques Duclos claimed that the Socialist party had only 202,000 members as against 305,000 for the Communist.

58. *Le Populaire*, April 20, 1937. The dissident Communists, known as the Party of Proletarian Unity, had elected six members to the Chamber in 1936. They represented a group halfway between the Communists and Socialists, and are thus not to be confused with the Trotskyists.

51. *The Manchester Guardian Weekly*, July 30, 1937.

52. Cf. Jacques Doriot, *La France avec Nous* (Paris, Flammarion, 1937); also the manifesto of the party, *L'Emancipation Nationale*, November 14, 1936.

opposition to the Fascist powers. Responsible government leaders realized that the bulk of the French people, whatever their sympathies, wanted peace—and at almost any price. While Blum, Chautemps and Foreign Minister Delbos eschewed any ideological conflict between Fascist and democratic powers, and repeatedly expressed a desire to come to an understanding with Germany,⁵⁹ they relied primarily on solidarity with other democratic nations as the greatest bulwark against war. For the United States Blum from the very first expressed cordial friendship,⁶⁰ but it was on Britain that he placed his chief reliance. Blum and his Foreign Minister, Yvon Delbos, were determined not to alienate Britain as Laval had done, and to follow as far as possible in the wake of British foreign policy. Although in theory strongly in favor of the League of Nations, the Popular Front government offered no objection when Britain decided to abandon sanctions against Italy. In the Spanish civil war it suppressed its sympathies for the Loyalists in order to initiate and adhere to a policy of non-intervention which corresponded much more to the desires of the British than of the French. For Britain's benefit, the Blum government also agreed to make the Locarno pledge of assistance in case of attack a reciprocal obligation.⁶¹

The government did not entirely neglect France's allies in Eastern Europe. No progress was made, however, with the conclusion of a military agreement implementing the Franco-Soviet pact, although negotiations were carried on from time to time. The Blum cabinet apparently feared that such an accord would encourage the French Communists' overmuch, and at the same time alienate Britain as well as close all avenues to a *rapprochement* with Germany. Meanwhile, it did make an attempt to revive the close relations which had formerly existed with Poland. In the summer of 1936 the French and Polish chiefs-of-staff exchanged

visits as the result of which France promised to extend substantial credits for Polish rearmament and public works.⁶² Unfortunately for France, this gesture was not followed by any marked change in Poland's foreign policy. With Czechoslovakia the Popular Front government continued to maintain close friendship. The other members of the Little Entente—Yugoslavia and Rumania—declined to accept a French offer to negotiate a mutual assistance pact modeled on the French treaty with Czechoslovakia and conditioned on the strengthening of ties among the Little Entente countries themselves.⁶³

The policy of non-intervention in Spain followed by the Blum, and later the Chautemps, cabinet aroused the opposition not only of the Communists, but also of the trade unions and many Socialists. Time and again the Communist leaders denounced the government for maintaining the "blockade" against Spain. In this agitation they were joined by Léon Jouhaux, the head of the powerful Confederation of Labor. Only the Radical Socialists in the Popular Front wholeheartedly endorsed non-intervention. Undeniably the French government at times chafed under the restrictions of the non-intervention agreement and sought to push Britain into stronger action to curb violations of the accord by the Fascist powers. Particularly since June 1937, when Italy and Germany definitely abandoned the non-intervention patrol around Spain, France has been taking a stronger stand. The French Socialist Congress which met at Marseilles in July 1937 endorsed the recent decisions of the Socialist and Trade Union Internationals in favor of Spain's right to buy arms and ammunition abroad, and instructed the Socialists in the government to oppose recognition of the Spanish Rebels as belligerents.⁶⁴⁻⁶⁵

THE BUDGET AND THE FRANC— NEMESIS OF THE POPULAR FRONT

The financial problem was undoubtedly the most serious one which the Popular Front had to face throughout its tenure in power. The Blum government was ultimately shipwrecked on the rock of financial difficulties, and the Chautemps cabinet has scarcely had an easier time.

Admittedly the Popular Front inherited an extremely bad financial situation from previous administrations. Despite recurring attempts to re-

59. Cf. Blum's speech at Lyons on January 24, 1937 in which he expressed a willingness to consider the colonial question as well as financial and economic assistance to Germany without seeking to impose any humiliating conditions on the Reich. *Le Populaire*, January 25, 1937.

60. Cf. his speech before the American Club of Paris on May 15, 1936, in which he intimated that some solution should be found for the war debts question.

61. Cf. the speech made by Delbos in the Chamber of Deputies on December 4, 1936. *Le Populaire*, December 5, 1936.

62. The agreement provided for credits totaling 2,600,000,000 francs, of which 1,350,000 was to be in the form of a long-term loan subscribed in France and guaranteed by the French government. The remainder was to be furnished as commercial credits for the purchase of armament and industrial equipment. The French Parliament authorized the government to guarantee the loan by a law published on January 20, 1937.

63. Cf. Helen Fisher, "Cross-Currents in Danubian Europe," *Foreign Policy Reports*, July 15, 1937.

64-65. For the text of this resolution, cf. *ibid.*, July 14, 1937.

duce government expenditure, the public debt had risen from 269,347 million francs at the end of 1930 to 335,421 million on December 31, 1935—an increase of 24.5 per cent.⁶⁶ Interest charges on this debt were relatively high and absorbed 24.7 per cent of the ordinary budget for 1936.⁶⁷ By drastic deflation the ordinary 1936 budget had been cut to 40,437 million, in addition to extraordinary expenditures of 6265 million for armaments and public works; but these amounts did not take into account the deficits of French railways and local governments which had to be financed by the national treasury.

This financial picture was not improved by the general economic malaise prevailing in the country, nor by the weakness of the French currency. Failure to devalue the French franc had created a disparity between French and foreign prices which the deflationary efforts of preceding governments had not succeeded in overcoming. When the Popular Front took power, French prices in terms of gold were generally about 25 per cent higher than British and American prices as compared with the year 1930. In most circles devaluation of the franc was regarded as inevitable, and a considerable flight of capital had begun in anticipation of this development, as well as other radical measures of the Popular Front government. Since January 1935 about 26 billion francs of French capital had sought refuge abroad.⁶⁸ This meant, of course, that the ability of the Treasury to borrow in the domestic market was being substantially curtailed.

Once in power the Popular Front sought to apply its slogan "Neither devaluation nor deflation." Blum, Vincent Auriol and other leaders repeatedly denied that they contemplated a "monetary *coup d'état*." However, the Matignon accord and the government's labor legislation were bound to make the position of the franc untenable by widening the disparity between French and foreign prices. Most observers estimated that wage costs would increase about 35 per cent on the average and that costs of production in industry would rise up to 20 per cent.⁶⁹ The partial restoration of cuts in

government salaries, pensions and veterans' allowances, as well as the application of social legislation to the railways and autonomous state enterprises, also imposed an additional burden of several billion francs on the public Treasury.⁷⁰

Confronted by the need to borrow, one of the first steps of the government was to conclude, on June 18, 1936, an agreement with the Bank of France which converted into non-interest bearing, temporary advances to the state about 14 billion francs of Treasury bonds which had been discounted by the Bank over little more than a year. At the same time the government acquired the right to draw on the Bank for new advances up to 10 billion francs.⁷¹ To enlist the support of small investors, the Finance Minister also announced on July 9 the issue of six-month and one-year "baby" bonds at 3½ and 4 per cent.

DEVALUATION OF THE FRANC

During July and August the government was able to arrest the flight of capital, but in September it became evident that the franc could not be maintained. Prices were rising steadily despite the law of August 19 designed to punish unjustified price increases.⁷² Confidence in the franc was rapidly ebbing, and subscriptions to the new Treasury loan totaled only 4.3 billion by September 23. Under these circumstances the government decided to devalue. Rather than take this step unilaterally, it opened negotiations with Britain and the United States and reached an understanding on September 25. Under this tripartite accord London and Washington in essence agreed to take no steps to counter the devaluation of the franc and all three countries undertook to keep the new exchange rates as stable as possible.⁷³ On September 26 the Bank of France practically suspended gold payments and two days later gold shipments were embargoed. A devaluation bill was rushed through Parliament and became law on October 1.⁷⁴ This law permitted the franc to fluctuate between two limits representing a depreciation of from 25.2 to 34.4 per cent and authorized the government to stabilize the currency at any level between these two points. In a special agreement with the Bank of France, concluded on September 25, the Bank's

66. Philippe Schwob, "Trésorerie et dette publique," *L'Europe Nouvelle*, January 23, 1937. The Finance Minister estimated in June 1936 that the public debt had increased by 75.5 billion during the last legislature, i.e. from the middle of 1932 to June 1936. *Le Temps*, June 21, 1936.

67. Philippe Schwob, "Le budget de 1937," *L'Europe Nouvelle*, January 16, 1937.

68. Statement by Finance Minister Vincent Auriol, *Le Temps*, June 21, 1936.

69. Cf. "France's New Deal," *The Economist*, July 4, 1936; also "Fascisme économique," *Le Temps*, June 10, 1936, "Le 'New Deal' français," *La Situation Economique et Financière*, June 12, 1936.

70. "Les charges financières des nouvelles mesures sociales en France," *La Situation Economique et Financière*, June 19, 1936.

71. *Le Temps*, June 21, 1936.

72. For the text of this law, cf. *Journal Officiel*, August 20, 1936.

73. For the texts of the British and French statements, cf. *The Economist*, October 3, 1936; for the American statement, Department of State, *Press Releases*, September 26, 1936.

74. *Journal Officiel*, October 2, 1936.

gold holdings were revalued provisionally at a rate representing a depreciation of 25.2 per cent in the franc. The ensuing profit of 17 billion francs was confiscated by the government; 10 billion was used to set up an equalization fund for steadying the franc exchange rate, and the remainder went to pay off the new advances extended by the Bank to the government as well as part of the consolidated advances.⁷⁵

Although the degree of devaluation left only a relatively small margin for the inevitable continued rise in French prices, the depreciation of the franc brought at least temporary relief. A few billion francs of French capital were even repatriated. Government finances, however, still occasioned alarm. The 1937 budget approved on January 2 envisaged expenditures of 48,071,167,731—about 4.5 billion in excess of estimated receipts. In addition there was an extraordinary budget for armaments and public works totaling 16,025,651,968 francs which was all to be financed by loans.⁷⁶ It was expected that Treasury disbursements during 1937, excepting funds needed to meet bond maturities, would exceed 70 billion francs.

The government had hoped that the economic and financial situation would respond favorably to devaluation. These expectations were largely disappointed. Industrial production rose but slowly, and then owing primarily to rearmament rather than other factors. The increased cost of imports and the application of the 40-hour week were rapidly driving up prices. Between May 1936 and March 1937 wholesale prices rose 42 per cent and retail prices in Paris about 26 per cent. Some observers believed that a drastic lowering of import barriers was necessary to check the rise in prices. On October 10, after devaluation, the government had reduced by 15 to 20 per cent tariffs on all goods not subject to import quotas, but these cuts affected only a small portion of French imports. Quotas had been maintained except for a number which had not yet been exhausted.⁷⁷ Further liberalization of import restrictions was extremely difficult to effect, for industry and agriculture were clamoring for additional protection to compensate for rising costs of production. Moreover, the trade balance for the first five months after devaluation

showed an import surplus of 6.7 billion francs, as compared with only 3 billion during the corresponding period the year before.

Meanwhile, the condition of the Treasury and the franc steadily deteriorated. Owing to lack of confidence, the expected large-scale repatriation of French capital failed to materialize. Those hoarding gold at home and abroad for the most part refused to obey the injunction, contained in the monetary law of October 1, to surrender their holdings at the rate prevailing before devaluation or to pay a tax equal to the difference between the old and the new price of gold. As a special inducement the Minister of Finance announced on December 16 that those people relinquishing gold by January 15, 1937 could obtain payment in national defense bonds maturing at the end of three years with a premium of 40 per cent. The finance law adopted in January 1937 also offered an amnesty to persons possessing gold or other assets abroad in violation of the law, provided they employed these holdings to buy national defense bonds. These measures, however, failed to raise much new money for the Treasury or bring back hoarded gold. Between November 1936 and March 1937 the Treasury was compelled to borrow 7.5 billion francs from the Bank of France, and a loan of £40,000,000 was procured in London in February for the French railways. Meanwhile, the equalization fund was obliged to replenish itself at the expense of the Bank's gold holdings, which dropped from 64.4 billion at the end of October 1936 to 57.4 billion at the beginning of March 1937.

THE GOVERNMENT INITIATES A "BREATHING SPELL"

Under these circumstances something had to be done. The more radical proponents of the Popular Front advocated drastic measures against the capitalists; some even favored foreign exchange control. But the conservatives demanded policies designed to restore the confidence of business and financial interests; and, pressed by the Radical Socialists, Blum adopted this course. In a speech at Saint-Nazaire on February 21, 1937 the Premier launched the idea of a "pause" or "breathing spell" during which the reforms adopted would be assimilated and business allowed to recuperate.⁷⁸ On March 5 the Council of Ministers took a series of decisions giving this idea its practical application.⁷⁹

75. The latter were then definitively consolidated at 12,304 million francs, which total could no longer be increased. Cf. "La situation de la trésorerie après la dévaluation," *Le Temps*, October 12, 1936.

76. According to Vincent Auriol, 72 per cent of the budget went for liquidation of past wars and preparation for future conflicts. *Le Populaire*, July 12, 1937.

77. Philippe Schwob, "La lutte contre la hausse des prix à l'étranger," *L'Europe Nouvelle*, February 27, 1937.

78. *Le Populaire*, February 22, 1937.

79. For the text of the cabinet communiqué and other documents bearing on the "breathing spell," cf. supplement to *L'Europe Nouvelle*, June 12, 1937.

This new program, marking a rather sharp departure from previous policies, contained the following points:

1. The Bank of France was authorized to buy gold at the prevailing market rate without reference to the identity of the seller. This meant that the government abandoned completely its previous attempts to penalize gold hoarders or compel them to surrender their holdings.
2. Management of the equalization fund was entrusted to a committee including the Governor of the Bank of France and three conservative financial experts, M.M. Charles Rist, Paul Baudoin and Jacques Rueff. The possibility of foreign exchange control was eliminated in deference to the tripartite monetary accord of September 25.
3. In the interest of the budget, no new expenditures were to be authorized except for some modifications in the salary scale of the lowest-paid government employees. This entailed indefinite postponement of any legislation or pending reforms which would cost the Treasury money.
4. Treasury disbursements were to be reduced about 6 billion francs, primarily by slowing up the public works program.
5. A large loan was to be floated and, in order to protect subscribers against possible depreciation of the franc, the bonds were made redeemable at a guaranteed exchange rate, in sterling and dollars as well as in francs.

This program was quickly approved by Parliament and at first seemed likely to succeed. The first two *tranches* of a national defense loan, fixed at a total of 10.5 billion francs, were immediately subscribed in response to an appeal to French patriotism, so that the Treasury's position was eased to the extent of 8 billion francs. Moreover, about five billion in gold returned to France.⁸⁰ Soon, however, the unfavorable factors began to reassert themselves. Business improved but slowly, and the revival of industrial production was again largely confined to those branches working for national defense. Despite the defense loan and the curtailment of expenditure for public works, the Treasury at the beginning of April still faced the task of borrowing about 20 billion francs for the remainder of the year, and even more if the fall bond maturities and the repayment of the London railway loan were included.⁸¹ A renewed flight of capital was setting in.

In the face of this situation, many adherents of the Popular Front charged the financial interests with sabotaging the government's work and de-

setting the franc. Their opponents, however, claimed that business recovery was being delayed by genuine alarm concerning the future of the country. They feared that the "breathing spell" would only pave the way for the adoption of new, radical and costly measures. Conservatives could point to the restlessness of Communists, Left-wing Socialists and labor union leaders who were critical of the government for "capitulating to the financial oligarchy." Thus in a speech delivered on April 13 the labor leader, Léon Jouhaux, demanded that the "breathing spell" be used for the study of new reforms such as the nationalization of credit which alone could consolidate and make more effective those reforms already achieved.⁸² On April 24 he pleaded for a new public works program of 10 billion francs to be financed by the nationalization of the re-insurance business; and in June he called for the nationalization of mining, the basic industries and transportation.⁸³

THE SENATE DEFEATS THE BLUM CABINET

By the middle of June the Treasury was nearly empty; the proceeds of the national defense loan had been spent, and the government did not know where to turn for money. On June 14 the cabinet laid before Parliament a request for full power until July 31 to decree all measures necessary "for the recovery of public finance, as well as for the protection of savings, money and the public credit." In demanding these powers the government intimated only in very general terms that it would take steps against speculators and "deserters of the franc," reduce expenses, increase taxes and further alleviate the Treasury by reorganizing the railways, raising transportation rates and reforming communal and departmental finances.⁸⁴ It was understood that the Finance Minister contemplated raising only five billion francs by tax increases and measures against tax evasion, and that he would again apply to the Bank of France for new advances. Two of the financial experts appointed to manage the equalization fund in March thought the whole scheme inadequate and resigned their positions on June 14.⁸⁵ These resig-

81. Cf. statement by Finance Minister Vincent Auriol before the Finance Committee of the Chamber of Deputies, *Le Temps*, April 29, 1937; also editorial in *Le Temps*, April 30, 1937; and Philippe Schwob, "La pause et les finances publiques," *L'Europe Nouvelle*, May 15, 1937.

82. *Le Populaire*, April 14, 1937.

83. *Le Temps*, June 15, 1937.

84. For text of the draft law and an exposé of the government's plans, cf. *Le Temps*, June 16, 1937.

85. For the text of their letter of resignation, cf. *La Situation Economique et Financière*, June 25, 1937.

80. Frédéric Jenny, "La situation financière et monétaire," *Le Temps*, June 21, 1937.

nations, particularly that of Rist, a man of wide reputation, further undermined confidence in the government.

The Chamber passed the bill on June 16, although the Communists only at the last minute reversed a decision not to support the government and 22 Radical Socialists definitely voted with the Opposition.⁸⁶ The conservative Senate, which had long been critical of Blum and his Finance Minister, used this occasion to deliver a vigorous attack on the government. On June 19 it rejected the government bill by a large majority and adopted a draft of its own Finance Commission which was hedged with so many safeguards as to be practically valueless. A compromise bill was drawn up by the Delegation of the Left in the Chamber, but that too met defeat in the Senate on June 20.⁸⁷ The government was urged by many of its supporters to fight the Senate, but Blum realized that such a course would involve a prolonged constitutional conflict which might seriously weaken France at a time when the international situation was extremely strained.⁸⁸ On June 21 the cabinet resigned. It had been in office almost 13 months, longer than any government since 1928.

THE CHAUTEMPS GOVERNMENT—

THE POPULAR FRONT IN CONSERVATIVE DRESS

A new ministry was formed by the veteran Radical Socialist politician Camille Chautemps, a man of conciliatory, although rather conservative temperament. Including 11 Radical Socialist, and 9 Socialist ministers, the Cabinet represented the Popular Front at least in composition. Blum, who became Vice-Premier, had some trouble in obtaining consent to Socialist participation because many of his party undoubtedly believed that the predominantly Radical Socialist Senate had conspired with the financial interests to "torpedo" the last government. The party's National Council approved participation by a vote of only 3972 to 1369, and then only with the proviso that the new ministry should seek no parliamentary majority outside the Popular Front, should pursue the realization of the Popular Front program, and continue the struggle to maintain "the sovereignty of universal suffrage" against "the capitalist oligarchies."⁸⁹ The Chautemps government was unquestionably more

conservative. It included such conservatives as Henri Queuille and Albert Sarraut; and the Socialist Vincent Auriol was replaced at the Finance Ministry by the Radical Socialist Georges Bonnet who had occasionally criticized the policies of the Popular Front. In outlining the government's program to the Chamber on June 29, Chautemps pledged maintenance of the social legislation already passed, but declared that the "pause" was even more necessary than before and that further reforms could be realized only "within the measure of economic possibilities."⁹⁰

Pending the adoption of drastic financial legislation, the government temporarily closed the *bourse* on June 29 and declared a moratorium on payments in gold and foreign exchange.⁹¹ The following day both the Chamber and Senate quickly voted the new cabinet sweeping powers to decree economic and financial measures until the end of August 1937, with the sole proviso that there be no foreign exchange control. Astonishingly enough, the Senate approved this bill without hesitation even though it conferred much wider powers than that submitted by the preceding cabinet and did not even preclude further devaluation of the franc. Apparently the Senate was content to be rid of Premier Blum and his Finance Minister. The full seriousness of the financial situation was also brought home by Bonnet. He revealed that gold to the value of 7800 million francs had fled the country during June and that the gold stocks of the equalization fund had been exhausted in a vain attempt to defend the franc.⁹² The Treasury had but 20 million francs when he took office and had been able to make month-end payments only by getting an emergency loan of 400 million from the savings banks. The ordinary budget for 1937 would show a deficiency of 7 to 8 billion, much more than had been anticipated, and the Treasury deficit for the balance of the year was likely to total 28.1 billion, including funds needed to meet maturing obligations.⁹³

The government decided it was useless to try and maintain the franc between the points laid down in the law of October 1, 1936; on June 30 it adopted a decree which permitted the franc to seek its own level. When foreign exchange dealing was resumed the following day the franc immediately

86. *Ibid.*, June 17, 1937.

87. *Le Temps*, June 22, 1937. For an analysis of the bills successively voted by the Chamber and Senate, cf. *L'Europe Nouvelle*, June 26, 1937.

88. Cf. Blum's speech at Bordeaux on July 4, *Le Populaire*, July 5, 1937.

89. *Le Populaire*, June 23, 1937.

90. *Le Temps*, June 30, 1937.

91. *Ibid.*

92. The conservative *Le Temps* of July 1, 1937 pointed out that the gold reserves of the Bank of France which had totaled 55 billion francs when Blum took power and were still about 50 billion on the eve of devaluation, had now sunk to only 40 billion in terms of the franc's former value.

93. *Le Temps*, July 1, 1937.

fell 14 per cent, the quotation at this point representing a total depreciation of 42 per cent inclusive of the 1936 devaluation. Subsequently it declined a few points further. In order to curb price increases which might follow this renewed depreciation, a decree of July 2 forbade all advances in the price of goods and services unless specially constituted committees declared them to be justified by a rise in the cost of imports.⁹⁴

On July 8 the cabinet approved a series of decrees designed to balance at least the ordinary budget by raising government income about 8 billion francs a year.⁹⁵ Only a small part of this amount was to come from increases in direct taxation. By far the greater part was to be raised by taxes bearing heavily on consumers. An additional income of 1400 million francs was anticipated from a rise in the production tax from 6 to 8 per cent. About half a billion was expected from the restoration of import duties to the level prevailing before devaluation of the franc. Telephone, telegraph and postal rates were raised, and the price of tobacco, manufactured by a state monopoly, increased by 20 per cent. Another measure cut the annual railway deficit some 2600 million francs by boosting both passenger and freight rates.

On July 30 the government adopted further measures reducing to 25 billion francs the borrowing requirements of the Treasury, which had originally been estimated at between 45 and 50 billion for the year 1938.⁹⁶ Economies of about 12.5 billion will be realized by curtailing expenditures for public works, compelling local governments to reduce their deficits and by coordinating rail and road transport. Ultimately the government hopes to effect additional savings by converting the public debt at lower interest rates. To prepare the way, it has had the gold holdings of the Bank of France revalued once more⁹⁷ and is using the resulting "profit" of nearly 7 billion as a fund to support government bonds which have greatly depreciated in recent years.

While these measures have dismayed many adherents of the Popular Front, they have been hailed in business circles. Capital seems to be returning, although still rather hesitantly because of the uncertain political situation. Government bonds

have staged a considerable recovery and, if they continue to improve, the Treasury should have no difficulty in covering its reduced borrowing requirements. Business is gradually improving, particularly in the Paris area, where it has been stimulated by the extraordinary influx of tourists. The government has taken pains to win the confidence of industrialists and financiers. It has abstained from threats against "hoarders" and "deserters of the franc," and its appointment of Pierre Fournier as Governor of the Bank of France was at least partly designed to please the banking interests.

CONCLUSION

To French conservatives the steps taken by Bonnet represent a confession of error on the part of the Popular Front. The imposition of new and heavier taxes and the reduction of expenditures are the "price" which France must pay for its New Deal. The policies of the Popular Front have been characterized by an "ignorance of economic realities." The wage increases and the mass of social legislation, however desirable in theory, imposed a great burden on French industry and trade just in the midst of the depression when their reserves were lowest and they were least able to shoulder the added expense. The economic existence of small entrepreneurs and merchants was particularly undermined. Ultimately increased costs of production brought a rise of 50 per cent in wholesale prices and an advance of 22 per cent in the cost of living, thus negating the very aim of the government to raise the purchasing power of the masses. By increasing production costs and simultaneously striving to maintain the value of the franc—as the Blum government did until October 1936—the position of the French currency was progressively rendered more precarious until devaluation became inevitable. Even then the franc was not sufficiently devalued, and the currency finally had to be completely divorced from gold and allowed to seek its own level. Business men refused to trust a government largely directed and staffed by Socialists whose party doctrines advocated the destruction of capitalism. Nor was their confidence enhanced by the vacillating policies of Blum's Finance Minister, who at times cajoled and at other times threatened capitalists. The inevitable result was the flight of capital to more secure refuge abroad. The French Treasury faced an impasse from which the more conservative policies of Chautemps and Bonnet are only just beginning to rescue it.

Such is the conservative indictment of the

94. *Ibid.*, July 4, 1937.

95. For the text of the decrees, cf. *Journal Officiel*, July 9, 1937; for the official analysis of their content, *Le Temps*, July 10, 1937.

96. *Le Temps*, August 1, 1937.

97. At 43 milligrams of gold to the franc, representing a depreciation of 34.4 per cent in the French currency. Eventually another revaluation will have to take place at the level at which the franc is ultimately stabilized.

French New Deal. Proponents of the Popular Front naturally reject it. In their opinion the nationalization of the arms industry, reform of the Bank of France and the establishment of a Wheat Office have provided the French people as a whole with durable and desirable reforms. The 40-hour week, paid vacations, collective bargaining and higher wages have given labor a more equitable share in the national income and the means to enjoy a "fuller life." While not denying that a part of labor's gains have been offset by the rising cost of living, Blum has affirmed that the real income of the workingman is higher than before.⁹⁸ As a matter of fact, the available evidence does indicate that individual wages have advanced slightly more than the cost of living.⁹⁹ On the other hand, it cannot be gainsaid that price increases have exacted considerable sacrifices from the large number of French people who draw government salaries and pensions or live off their income. For the most part their real income is substantially lower. Nor has Blum denied that the many reforms accomplished by the Popular Front have retarded business recovery at least temporarily.¹⁰⁰ In his opinion they have been worth the price of temporary economic disequilibrium. Similarly, he and his colleagues have frankly admitted that economic recovery would have been more rapid if devaluation of the franc had preceded rather than followed the social legislation.¹⁰¹ It should be noted, however, that public opinion and all the political parties, on the Right as well as on the Left, were opposed to devaluation. Moreover, probably no government could have resisted the mass movement in favor of better living and working conditions which produced the social legislation of 1936 and led inevitably to depreciation of the franc. Even though many of the social reforms may have been put into effect too quickly for the purpose of business recovery, they may in the end constitute a definite gain for the French people.

Will the Popular Front continue to rule France? Perhaps—but in all likelihood only under the more conservative aegis of the Radical Socialists.

Even that cannot be affirmed with assurance. Undoubtedly the fall of Blum and the drastic financial measures taken by the succeeding cabinet have proved bitter medicine not only to the Communists and the labor movement, but also to many Socialists. Relations between the Radical Socialists and other constituent groups of the Popular Front have been severely strained. The feeling is widespread that the Radical Socialists have betrayed the Popular Front to the financial interests. On July 13 the annual congress of the Socialist party responded to Blum's urging by confirming the earlier decision of the national council to participate in the Chautemps cabinet; but the vote on the motion—3484 to 1866—indicated growing opposition to compromise tactics. Moreover, the resolution approved by the Congress instructed the party leaders to act within the Popular Front for the elaboration of a more extensive program which would in particular free state finances from the grip of "financial and industrial oligarchies." It specified that such a program should include control of credit, establishment of additional "agricultural offices" like the Wheat Office, and nationalization of mining, the fertilizer and chemical industries, hydro-electric power, transportation (railways) and insurance. The resolution also demanded that measures be taken to insure the superiority of the popularly elected Chamber over the Senate.¹⁰² Since the Radical Socialists are unalterably opposed to most of these demands, the Socialist Congress may have sown the seeds of the ultimate break-up of the Popular Front. In such an event, the Communists and Socialists may march hand in hand. Already the movement for fusion of the Socialist and Communist parties has been given new impetus.¹⁰³ On the other hand, responsible leaders in both parties realize that the Popular Front has the only relatively stable majority in Parliament. They may hesitate a long time before plunging France into another period of political uncertainty which would probably end in the formation of another ultra-conservative "national union" government.

98. Cf. his interview with the Paris representative of the *Daily Herald* (London), *Le Populaire*, June 4, 1937.

99. Speaking before the Senate on February 9, 1937, the Minister of National Economy estimated the average wage increase since May 1936 at 26 per cent ("Le problème des prix," *Le Temps*, February 16, 1937). Daily wages in the engineering and metallurgical industries of the Paris region are said to have risen 38 per cent between the fourth quarter of 1935 and March 1937 (cf. *La Situation Economique et Financière*, May 7, 1937).

100. Note his interview with the *Daily Herald* representative, cited.

101. Cf. the *exposé des motifs* attached to the Blum government's request for special financial powers, *Le Temps*, June 16, 1937.

102. For the text of the resolution, cf. *Le Populaire*, July 14, 1937.

103. Cf. "Signs of schism seen in French Popular Front," *New York Herald Tribune*, August 1, 1937.